

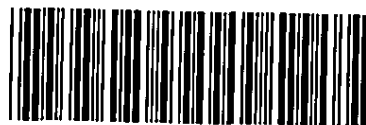
LEEK UNITED HOME LOANS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

REGISTERED NUMBER: 2277333

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LEEK UNITED HOME LOANS LIMITED

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LEEK UNITED HOME LOANS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 December 2007

The directors present their report and the audited financial statements of the company for the year ended 31 December 2007

BUSINESS OBJECTIVES AND PRINCIPAL ACTIVITIES

The principal activities of the company are to hold and dispose of debts secured on residential property and land, to make advances on the security of such residential property and land and to acquire, hold and dispose of mortgage finance rights

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

As at 31 December 2007 the company was a direct wholly owned subsidiary of Leek United Building Society.

At 31 December 2007 the amount owed to Leek United Building Society was £824,423 (2006 £1,602,430)

The directors do not expect any material change in the trading activities of the company in the foreseeable future.

The only material risk faced by Leek United Home Loans Limited is credit risk arising from its mortgage book. The management of the risk is actively monitored and controlled by Leek United Building society.

RESULTS AND DIVIDENDS

The company's profit for the financial year is £18,979 (2006 £24,238). The directors do not recommend the payment of a dividend and £18,979 (2006 £24,238) has, therefore, been transferred to reserves

DIRECTORS

The directors who served during the year were:

E W Hodgkinson
P Marriott
K Wilson

DIRECTORS' INTERESTS

No director has any beneficial interest in the share capital of the company, all of which is owned by Leek United Building Society. None of the directors is or has been interested during the year in any contracts with the company. All of the directors are directors of Leek United Building Society and their interests are shown in the statutory accounts of the Society.

LEEK UNITED HOME LOANS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 December 2007 (continued)

CREDITOR PAYMENT POLICY

For all trade creditors it is the company's policy to agree the terms of payment at the start of trading with that supplier and to pay in accordance with its contractual and other legal obligations

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'B Rimmer', written in a cursive style.

MISS B RIMMER
Secretary

27 FEBRUARY 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the statement of the respective responsibilities of directors and auditors on page 5, is made by the directors to explain their responsibilities in relation to the preparation of the annual accounts, and directors' report

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:-

- * select suitable accounting policies and then apply them consistently,
- * make judgements and estimates that are reasonable and prudent,
- * state whether applicable accounting standards have been followed;
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

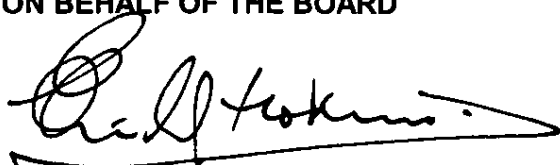
The ultimate parent sets out its standards on corporate governance in its statutory accounts

Provision of Information to Auditors

Each person who is a director at the date of approval of this Report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

ON BEHALF OF THE BOARD



E W HODKINSON
Chairman

27 FEBRUARY 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEEK UNITED HOME LOANS LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

This report, including the opinion has been prepared for, and only for, the company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2007 and of its profit for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
27 FEBRUARY 2008

<p style="text-align: center;">LEEK UNITED HOME LOANS LIMITED</p>
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Profit and Loss Account for the year ended 31 December 2007

	Note	2007 £	2006 £
Turnover	1	81,221	91,126
Interest payable and similar charges	2	<u>(53,346)</u>	<u>(58,141)</u>
Gross profit		27,875	32,985
Administrative expenses	4	(4,445)	(4,157)
Other operating income and charges		<u>220</u>	<u>1,090</u>
Profit on ordinary activities before tax	4	23,650	29,918
Tax on profit on ordinary activities	5	<u>(4,671)</u>	<u>(5,680)</u>
Retained profit for the financial year		<u><u>18,979</u></u>	<u><u>24,238</u></u>

The above profit and loss account is in respect of continuing operations.

The company has no recognised gains and losses during the year other than the amounts stated above, and therefore no separate statement of recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before tax and retained profit for the year stated above, and their historical cost equivalents

LEEK UNITED HOME LOANS LIMITED

Balance Sheet as at 31 December 2007

	Note:	2007 £	2006 £
Current assets			
Cash at bank		88,828	108,173
Commercial assets: repayable within one year	6	143,954	69,802
: repayable in more than one year	6	810,519	1,085,496
Debtors' amounts falling due within one year		<u>408</u>	<u>182</u>
		1,043,709	1,263,653
Creditors: amounts falling due within one year	7	<u>(829,191)</u>	<u>(1,068,114)</u>
Total assets less current liabilities		<u><u>214,518</u></u>	<u><u>195,539</u></u>
Capital and reserves			
Called up share capital	8	100	100
Profit and loss account	9	<u>214,418</u>	<u>195,439</u>
Total equity shareholders' funds	10	<u>214,518</u>	<u>195,539</u>

The accounts on pages 6 to 10 were approved by the board of directors on 27 February 2008 and signed on its behalf by

E W HODKINSON
K WILSON

Chairman
Director

Carl Foxen

LEEK UNITED HOME LOANS LIMITED

Notes to the Accounts - for the year ended 31 December 2007

1. Accounting Policies

(a) Basis of accounting

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom, which have been consistently applied

In accordance with paragraph 3 (3) of Schedule 4 of the Companies Act 1985, the directors have adapted the arrangement of certain headings in the profit and loss account to reflect more effectively and more accurately the nature of the company's activities. In particular turnover represents interest receivable and interest payable has been treated as a deduction against gross profit

(b) Turnover

Turnover represents gross interest receivable for the company's principal activity. All turnover is derived from within the United Kingdom

(c) Tax

Corporation tax is charged on the profit on ordinary activities for the year as adjusted for tax purposes

(d) Provisions for losses on loans and advances.

Provision is made for all anticipated losses on loans and advances based upon a year end appraisal

Specific provisions are made against mortgage loans on a case by case basis to cover anticipated losses in respect of all accounts that are 2.5% or more in arrears and where a probable loss has been identified due to impairment. Anticipated losses on such accounts are calculated as the difference between the current achievable market value of the security, based on current valuations of the property performed by qualified local surveyors, and the outstanding loan balance, after making appropriate allowance for costs of repossession and sale and any amounts recoverable under external loss insurance

General provisions are made to reflect the probability that other loans may also be impaired at the balance sheet date, with the result that the amount advanced may not be recoverable in full. The provision is based upon the company's experience and current economic trends

(e) Cash flow statement

The company is a wholly-owned subsidiary of Leek United Building Society and is included in the financial statements of Leek United Building Society, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996)

LEEK UNITED HOME LOANS LIMITED

Notes to the Accounts for the year ended 31 December 2007

	2007 £	2006 £
2. Interest payable and similar charges		
On balances due to parent undertaking	<u>53,346</u>	<u>58,141</u>

3. Directors' Emoluments

None of the directors received any remuneration for services to the company during the year (2006 nil) The company has no employees (2006 none)

	2007 £	2006 £
4. Profit on Ordinary activities before tax		
Profit on ordinary activities before tax is stated after charging		
Auditors' remuneration	4,406	4,113
Other management costs	<u>39</u>	<u>44</u>
	<u>4,445</u>	<u>4,157</u>

	2007 £	2006 £
5. Tax on Profit on ordinary activities		
(a) United Kingdom corporation tax at 19.75% (2006 19.00%)		
Current	<u>4,671</u>	<u>5,680</u>

	2007 £	2006 £
(b) factors affecting current tax charge in year		
Profit on ordinary activities before tax	<u>23,650</u>	<u>29,918</u>
Tax on profit at UK standard rate of 30% (2006. 30%)	7,095	8,975
Adjustment in respect of prior year	-	(4)
Small companies relief	<u>(2,424)</u>	<u>(3,291)</u>
	<u>4,671</u>	<u>5,680</u>

6. Commercial Assets

Commercial assets represent advances secured on residential property and other advances secured on land and are repayable from the balance sheet date as follows

	2007 £	2006 £
Repayable within one year	143,954	69,802
Repayable in more than one year	<u>810,519</u>	<u>1,085,496</u>
	<u>954,473</u>	<u>1,155,298</u>

The advances are in general for a period of 5 to 25 years, are payable in full at the end of that period and may be redeemed at any time at the option of the borrower. The above analysis may not reflect actual experience of repayments since many mortgage loans are repaid early.

LEEK UNITED HOME LOANS LIMITED

Notes to the Accounts for the year ended 31 December 2007

7. Creditors: amounts falling due within one year

	2007	2006
	£	£
Amounts owed to parent undertaking	824,423	1,062,430
Corporation tax	4,670	5,684
Sundry	98	-
	<u>829,191</u>	<u>1,068,114</u>

8. Called up share capital

	2007	2006
	£	£
Authorised, allotted, called up and fully paid Ordinary shares of £1 each	<u>100</u>	<u>100</u>

9. Profit and loss account

	2007	2006
	£	£
At 1 January	195,439	171,201
Profit for the financial year	<u>18,979</u>	<u>24,238</u>
At 31 December	<u>214,418</u>	<u>195,439</u>

10. Reconciliation of movements in equity shareholders' funds

	2007	2006
	£	£
Equity shareholders' funds at 1 January	195,539	171,301
Profit for the financial year	<u>18,979</u>	<u>24,238</u>
Equity shareholders' funds at 31 December	<u>214,518</u>	<u>195,539</u>

11. Capital commitments

There is no capital expenditure which has been contracted for that has not been provided for in the financial statements (2006 Nil)

12. Related party transactions

Full disclosure of transactions and balances with the ultimate parent undertaking, which are eliminated on consolidation, are not made in these accounts because under the 90% rule (FRS8- Related Party Transactions) they are exempt from the related party disclosure requirements. Classification of such transactions and balances in other notes to these accounts are disclosed as appropriate.

A service for the administration of mortgage assets was provided by the parent undertaking.

13. Ultimate parent undertaking

The ultimate parent undertaking is Leek United Building Society which is registered in England and Wales under the Building Societies Act 1986.

The Report and Accounts of the ultimate parent undertaking may be obtained from the Secretary at 50, St Edward Street, Leek, Staffordshire, ST13 5DL.